Preqin Research Report - *3rd August 2009*
The future of the mega fund market and fundraising predictions for H2 2009

Fundraising in H1 2009

In the first half of 2009 private equity fund managers raised a total of $145 billion, which represents less than half the capital commitments raised during the first halves of the previous two years. Clearly the market conditions have had a serious effect on the ability of fund managers to attract new commitments and achieve final closes on their latest vehicles. What can we expect from the second half of the year, and how is fundraising for the very largest vehicles holding up following the global economic downturn?

Mega Funds Retain their Position

The number and value of funds being raised has been dropping across the board, with funds of all sizes struggling to garner commitments. This includes mega-sized vehicles, which have also experienced a significant slowdown. However, as a proportion of the total, vehicles sized over $5 billion are actually accounting for a higher proportion of the total market than ever before.

During the whole of 2008 a total of 19 funds closed with over $5 billion in capital commitments, with these funds together accounting for 30% of aggregate commitments for the year. During 2007, funds that closed above $5 billion accounted for 23% of aggregate commitments for that year while in 2006, the 13 funds which closed above $5 billion raised $119 billion, equating to 22% of total capital commitments for the year.

In the first six months of 2009 there were only six mega funds closed, raising aggregate commitments of $48 billion. However, although this is a big reduction from previous years, the proportion of overall commitments represented by these largest funds now stands at 33%. Despite recent performance figures showing mega-buyouts to be hard hit by the global downturn, investors with limited funds available to them are still seeing the most experienced managers with the largest vehicles as attractive investment opportunities.

Predictions for 2009 H2

What can we expect for private equity fundraising in 2009 as a whole following a lacklustre first half to the year? There are some clues available to us when examining how fundraising has been evolving over the course of the year. The first quarter saw fundraising drop to a low point of $64 billion, but there were signs of recovery in Q2, which saw a total of $81 billion being raised.

We expect that fundraising will continue to grow slowly, as more investors are able to re-enter the market and make new investments following revaluations of their existing investments.

There is currently a good stock of new funds on the road, including 14 mega funds over $5 billion in size, seeking a total of $113 billion between them. With this good stock of large vehicles still in market, and with investors still keen on the largest funds, it is likely that they will remain an integral part of the industry.

However, there is no doubt that conditions remain extremely tough, and we have already seen a record number of new vehicles being abandoned due to a lack of available investor capital. We expect the recovery to be slow, but that the second half of the year will be higher than the first, and we expect the total for the year to be around $350 - 360 billion.

Funds in Market

Funds in Market is the most comprehensive, detailed source of information on private equity fundraising available today. Preqin's team of dedicated analysts are continually contacting fund managers, placement agents and law firms to ensure that our database showing funds on the road is as comprehensive and up to date as possible.

This powerful database includes detailed information for all funds current raising, plus all vehicles closed since 2003. It also includes profiles for placement agents and law firms involved in fund formation. For more information and to register for a free trial, please visit:

www.preqin.com/fim

Fig. 1: Biannual Fundraising, 2005 - 2009 H1

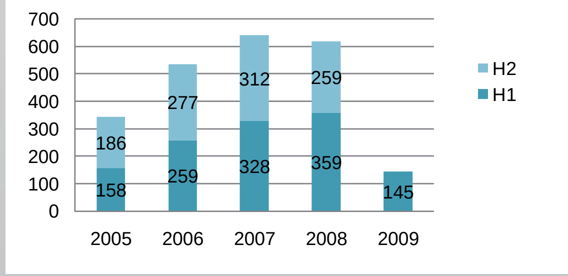

Fig. 2: Fundraising by Funds Larger than $5bn, 2005 - 2009 H1

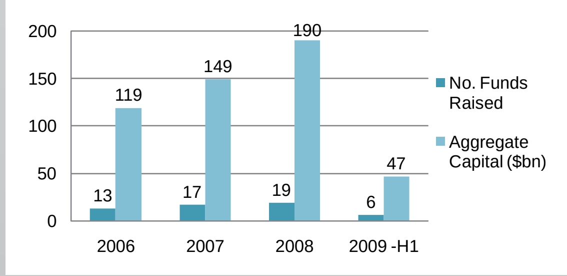

Fig. 3: Fundraising Predictions, H2 2009

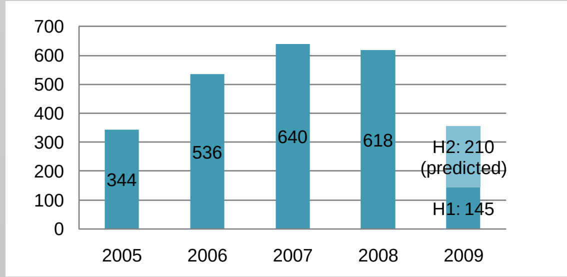

Fig. 4: Funds Closing with more than $5bn in Commitments in H1 2009

Fund	Type	Size (Bn)
CVC European Equity Partners V	Buyout	10.8 EUR
First Reserve Fund XII	Natural Resources	8.8 USD
KKR European Fund III	Buyout	6.0 EUR
Riverstone/Carlyle Global Energy and Power Fund IV	Natural Resources	6.0 USD
GS Vintage Fund V	Secondaries	5.5 USD
Charterhouse Capital Partners IX	Buyout	4.0 EUR